

ASX ANNOUNCEMENT (ASX: TSM)

24 February 2015



**THINKSMART STRONG SALES GROWTH IN THE UK;
COMPANY REAFFIRMS GUIDANCE**

Key highlights for the six months ended 31 December 2014

- Strong performance from the UK business
- 52% growth in UK business volumes on 6 months to 31 December 2013
- Assets under management grew by 10% in 6 months to \$48 million
- £10m Five - Year Revolving Credit Additional funding facility now completed with Santander complementing existing £60m Secure Trust Bank facility
- Robust balance sheet
- Earnings outlook reaffirmed with profit and volume growth set to continue

ThinkSmart Limited (**ASX: TSM**), an international point-of-sale finance company, today announced first-half earnings in line with market guidance and increased earnings per share for the six month period through to 31 December 2014.

“We have made considerable progress in the past six months with 52% growth in our UK business volumes compared to the 6 months to 31 December 2013,” ThinkSmart Executive Chairman Ned Montarello said.

“Following successful restructuring of our balance sheet through our on market Buy Back and the off market Buy Back tender programs, we anticipate continuing growth in future earnings per share for the company going forward.”

Mr. Montarello said: “We are investing significantly in our proprietary systems, people, funding platforms and new products while focusing on the development of our integrated online basket and mobile application finance solutions to add further value and convenience to our retail partners and customers.”

The Group continued to grow its UK operations, with assets under management growing by 10% in 6 months to \$48 million, reversing an earlier decline.

The Group also secured a £10 million, five-year revolving credit facility with Santander, complementing an existing £60 million Secure Trust Bank facility.

The Group reported Net Profit after Tax for the six months to 31 December 2014 of \$1.5 million, with operating cash of \$3 million generated during the period.

“The UK business has again performed well with growth across all key sales metrics,” Mr Montarello said.

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ABN 24 092 319 698

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“Our recently extended partnership with Dixons continues to be mutually beneficial and we are also focusing on developing new products and sales channels including the consumer leasing proposition ‘Upgrade Anytime’ which continues to deliver strong growth in volumes.

“Our leasing proposition partner, Dixons Carphone Group Plc, continues to lead the key UK retail sectors in Computing, Consumer Electricals and Mobile Phones.

“Consumer leasing volumes are up 82% on same period last year and repeat business represented a third of volume for the period.

ThinkSmart has expanded its leadership team with Fernando de Vicente appointed CEO and Keith Jones taking on the role of Executive Director of Group Strategy and Development. The recruitment process for a UK based Independent Non-Executive Director has started.

“The period since 1 July 2014 has been transformational for ThinkSmart in many respects, reshaping our balance sheet and providing us with solid foundations for continued strong growth ahead,” Mr Montarello said.

ENDS

Further information:

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Ned Montarello, Executive Chairman

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ABOUT THINKSMART:

ThinkSmart Limited (ASX: TSM) processes high volumes of finance transactions quickly and efficiently through its SmartCheck proprietary technology. This enables online credit approval in just a few minutes whether customers are online or in store. Our products are executable throughout today’s complex retail channel, creating additional revenue and enhanced margin performance – on and off line.

For over 12 years, ThinkSmart has been an exclusive partner to Dixons Retail, now the newly merged Dixons Carphone Group Plc, where we have developed compelling Business and Consumer lease finance propositions, most recently introducing Upgrade Anytime – a first to market offer which enables consumers to upgrade to the very latest computing and vision products, bringing more technology to more customers more often.

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**APPENDIX 4D
Half-Year Report
31 December 2014**

**ThinkSmart Ltd
ACN 092 319 698**

Results for announcement to the market

Extracts from the income statement

	Dec-14	Jun-14	Change	
	\$000	\$000	\$000	%
Revenue from ordinary activities	12,314	11,461	853	7%
(Loss) / Profit from ordinary activities after tax attributable to members	1,512	11,337*	(9,825)	(87%)
Net (Loss) / Profit for the period attributable to members	1,512	11,337*	(9,825)	(87%)

* includes \$9,787,000 profit from discontinued operations

	Amount per security	Franked amount per security
Dividends declared per ordinary share		
Current period - Dec14 Nil	-	-
Previous corresponding period - Jun14 Fully franked Special Dividend 3.6 cents per share paid February 2014	3.6 cents	Fully Franked

Brief Explanation of Revenue, Net Profit and Dividends

Please refer to the Directors' Report.

Net tangible assets per security

	Dec-14 cents	Jun-14 cents
Net tangible assets per security	0.27	0.27

Control gained or lost over entities on the financial year

There have been no changes in ownership of the entities ThinkSmart Limited controlled over the period

Dividend or distribution reinvestment plans

ThinkSmart Limited did not declare or pay a dividend during the period and the Company does not currently operate a dividend reinvestment plan.

Investment in Associates and Joint Ventures

ThinkSmart Limited does not have a percentage holding in any associates or joint venture entities

Foreign entities

The consolidated half year report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Audit dispute or disqualification

The half year report has been reviewed by the auditors and is not subject to disputes or qualifications

THINKSMART LIMITED

INTERIM FINANCIAL REPORT

31 DECEMBER 2014

ABN 24 092 319 698

THINKSMART LIMITED
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THINKSMART LIMITED

DIRECTORS' REPORT

The directors present their report together with the interim financial report for the half-year ended 31 December 2014 and the auditor's review report thereon:

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Ned Montarello

Executive Chairman

Ned was appointed Executive Chairman on 22 May 2010 and stepped down as Chief Executive Officer on 31 January 2014. Ned has over 28 years' experience in the finance industry. He founded ThinkSmart in 1996 and through this vehicle has been credited with elevating the Nano-Ticket rental market sector in Australia, receiving the Telstra and Australian Government's Entrepreneur of the Year Award in 1998. Ned led the development of the Group's Australian distribution network by building partnerships with key retailers, including JB Hi-Fi and Dick Smith. Ned also steered the expansion of the business into Europe, establishing agreements with DSG International and a joint venture with HBOS to launch in the UK. In 2007 Ned successfully listed, via I.P.O the business in Australia. In 2010 he led the development of the "Infinity" product with Dixons to move into the "Business to Consumer" market for the first time in the UK. Ned continued to drive the business to maintain its sector leading IP in point of sale finance with the introduction of e-sign to its process ensuring that it maintained its relevance to the fast moving retail environment.

Fernando de Vicente

B. Econ, MBA Bus

Chief Executive Officer

Fernando is a citizen of Spain who joined the Board on 7 April 2010 and the Audit and Risk Committee on 18 August 2013. Fernando was then subsequently appointed group CEO from 1 January 2015. Fernando has a Degree in Economics (International Development) from the University Complutense in Madrid, and an Executive MBA from IESE Business School in Madrid.

Fernando spent nine years at Dixons Retail, one of Europe's largest electrical retailers. His latest role in Dixons was International Managing Director, with responsibility for Dixons Central & Southern European operations, an A\$3 billion business with 350 stores across six countries. Fernando started his career with Dixons in 2001 as Finance Director for the Spanish subsidiary, and became the MD of the subsidiary in 2003. In 2006 he was promoted to Regional Managing Director for South-East Europe based in Greece, before assuming the role of International Managing Director in 2008.

In March 2010, Fernando left Dixons to become the Executive Chairman of BodyBell Group, one of Spain's largest speciality retailers. On 15 February 2012, Fernando was appointed Non-Executive Director of Levantina, a leading multinational company dealing with natural stone products.

Keith Jones

MBA Bus

Group Strategy and Development Director

Keith joined the Board on 24 May 2013 and was appointed Chief Executive Officer on 1 February 2014 through to 31 December 2014. Keith has since moved to the role of Group Strategy and development Director from 1 January 2015 whilst at the same time ensuring a smooth hand over with the current CEO, Fernando. Keith has 30 years of retail experience in Europe including roles as Chief Executive Officer of JJB Sports plc and Group Retail Director of Dixons Retail plc, one of Europe's largest electrical retailers. At Dixons, Keith was a member of the Group Executive Committee with responsibility for all UK and Ireland fascia's including PC World and Currys. Previously he was Managing Director of PC World Stores Group with responsibility for stores in the UK, Spain, France, Italy and Nordics in addition to Group Service Operations. Keith has a MBA from the Manchester Business School.

THINKSMART LIMITED

DIRECTORS' REPORT

David Griffiths B. Ec (Hons), M. Ec, D. Ec (Hon), FAICD
Non-Executive Director, Deputy Chairman

David joined the Board on 28 November 2000 and was appointed Deputy Chairman on 22 May 2010. David has over 14 years experience in investment banking at Macquarie Bank Limited and previously as Executive Chairman of Porter Western Limited. Prior to that he held a number of senior financial positions across a wide range of industries. He holds an Honours Degree in Economics and an honorary Doctor of Economics from The University of Western Australia, a Masters Degree in Economics from Australian National University and is a Fellow of the Australian Institute of Company Directors. David is Deputy Chairman of the Perth International Arts Festival and a Director of the Contemporary Dance Company of Western Australia. He is Chairman of Automotive Holdings Group Limited. David is Chair of the Audit and Risk Committee of ThinkSmart.

Steven Penglis (Retired 26 November 2014)
B. Juris and B. Law
Non-Executive Director

Steven joined the Board on 1 July 2000 and stepped down as Chairman on 6 May 2007. Until 30 September 2012, Steven was a partner of Freehills, having been appointed to the partnership on 1 July 1987. Steven now practises solely as a barrister, specialising in the area of Corporate and Corporations Law litigation. He is a part time Senior Member of the Commonwealth Administrative Appeals Tribunal, a former elected member and Chairman of the Legal Practice Board of Western Australia and a former elected member of the Council of the Law Society of Western Australia (having served from 1 January 2002 to 31 December 2012). Steven is currently Chairman of the Nomination and Remuneration Committee of ThinkSmart.

COMPANY SECRETARY

Neil Hackett
B. Ec, FFin, GAICD

Mr Neil Hackett holds a Bachelor of Economics from the University of Western Australia, Post-graduate qualifications in Applied Finance and Investment, and is a Graduate (Order of Merit) with the Australian Institute of Company Directors. Mr Hackett is an Affiliate of the Governance Institute of Australia and a Fellow of the Financial Services Institute of Australia. He is currently a Director of Australian Securities Exchange listed entities; Azonto Petroleum Limited, Artiden Limited and Modun Resources Ltd. Neil is also on the Board of two unlisted entities, Steel Blue Pty Ltd and WestCycle Inc.

OPERATING AND FINANCIAL REVIEW

Highlights for the six months to 31 December 2014 for ThinkSmart Limited and its subsidiaries ("the Group") include:

- Net profit after tax of \$1.5 million was consistent to the last reported six month period to June 2014 for continuing operations. This was largely due to continued good progress from the UK operating business and a reduction in the group corporate head office costs.
- The comparative (six months to June 2014) includes \$9.8m after tax profit from sale of the Australian and New Zealand businesses.
- The UK operating business increased new originations by 31% in constant currency, mainly due to the successful launch in May 2014 of the consumer lease product 'Upgrade Anytime'. Overall the UK recorded a net profit before tax of \$3.4m for the six month period to December 2014, being 7% down on the previous six month period to June 2014 due to increased investment in people to up-skill for growth together with increased provisioning for the now discontinued broker sourced ThinkSmart Business Leasing business, with the additional profit on the increased volume (mainly lower margin consumer leases) being offset by increased customer cash-back cost on the higher volume of repeat business which will ultimately produce future incremental inertia and deferred service revenues and profit.
- Corporate costs continue to fall and net of interest income are at \$1.25m for the six month period to December 2014, being 8% down on the previous six month period to June 2014.
- The Group continues to make positive progress with its funding arrangements and a new £10m 5 year funding facility through Santander UK was signed in December 2014 to finance consumer leases where ThinkSmart will be the lessor. As a result of the lower funding costs of this facility the overall margin will be higher although due to the profit being recognised over future periods it will result in a lower short term profit when compared to leases funded through the £60m Secure Trust Bank facility.
- Further, the Group's corporate facility was renewed in December and reduced to \$0.1m.
- During the period 13,007,973 shares were purchased on market and cancelled at a cost of \$4,715,267 (see note 11).

THINKSMART LIMITED
DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 17 and forms part of the directors' report for the half-year ended 31 December 2014.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



N Montarello
Chairman
Perth, 24 February 2015

Consolidated Statement of Profit and Loss for the six months ended 31 December 2014

	Notes	6 months to 31 December 2014 \$000	6 months to 30 June 2014 \$000
Revenue	7(a)	11,063	10,161
Other revenue	7(b)	1,251	1,300
Total revenue		12,314	11,461
Indirect customer acquisition cost		(4,712)	(3,805)
Other operating expenses	7(c)	(5,014)	(4,960)
Depreciation and amortisation	7(d)	(278)	(275)
Impairment losses	7(e)	(205)	(155)
Profit before tax		2,105	2,266
Income tax expense	6	(593)	(716)
Profit after tax from continuing operations		1,512	1,550
Profit from discontinued operation, net of tax		-	9,787
Profit after tax		1,512	11,337
Earnings per share			
Basic (cents per share)		1.00	7.06
Diluted (cents per share)		0.99	7.01
Earnings per share – continuing operations			
Basic (cents per share)		1.00	0.97
Diluted (cents per share)		0.99	0.96

The attached notes form an integral part of these consolidated financial statements

**Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2014**

	31 December 2014 \$000	30 June 2014 \$000
Profit for the period	1,512	11,337
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of income tax):		
Foreign currency translation differences for foreign operations	886	(378)
Effective portion of changes in fair value of cash flow hedges	-	45
<i>Total items that may be reclassified subsequently to profit or loss, net of income tax</i>	886	(333)
Other comprehensive income for the period, net of income tax	886	(333)
Total comprehensive income for the period, net of income tax	2,398	11,004

The attached notes form an integral part of these consolidated financial statements

Consolidated Statement of Financial Position as at 31 December 2014

		31 December 2014	30 June 2014 *Restated
	Notes	\$000	\$000
Current Assets			
Cash and cash equivalents	14	37,248	39,070
Trade receivables		989	1,092
Other current assets	8	4,963	5,088
Total Current Assets		43,200	45,250
Non-Current Assets			
Plant and equipment		357	236
Intangible assets	9	11,888	12,000
Goodwill		4,423	4,216
Deferred tax assets		289	342
Other non-current assets	10	5,064	5,458
Total Non-Current Assets		22,021	22,252
Total Assets		65,221	67,502
Current Liabilities			
Trade and other payables		3,127	3,247
Deferred service income		3,392	3,354
Tax payable		243	100
Provisions		198	233
Total Current Liabilities		6,960	6,934
Non-Current Liabilities			
Deferred service income		1,837	1,621
Total Non-Current Liabilities		1,837	1,621
Total Liabilities		8,797	8,555
Net Assets		56,424	58,947
Equity			
Issued Capital	11	43,095	48,096
Reserves		(400)	(1,286)
Accumulated profits		13,729	12,137
		56,424	58,947

The attached notes form an integral part of these consolidated financial statements

*Refer to note 3 for further details

THINKSMART LIMITED

**Consolidated Statement of Changes in Equity
for the six months ended 31 December 2014**

	Fully paid ordinary shares \$000	Equity settled employee benefits reserve \$000	Foreign currency translation reserve \$000	Hedging reserve \$000	Accumulated Profit \$000	Attributable to equity holders of the parent \$000
Balance at 1 January 2014	48,091	1,141	(908)	(45)	5,340	53,619
Impact of change in accounting policy	-	(1,141)	-	-	1,141	-
Restated balance at 1 January 2014	48,091	-	(908)	(45)	6,481	53,619
Profit for the period	-	-	-	-	11,337	11,337
Exchange differences arising on translation of foreign operations, net of tax	-	-	(378)	-	-	(378)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	45	-	45
Total comprehensive income for the period	-	-	(378)	45	11,337	11,004
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Dividends paid	-	-	-	-	(5,680)	(5,680)
Share buyback	(229)	-	-	-	-	(229)
Cash received from exercise of employee share options	234	-	-	-	-	234
Recognition of share-based payments	-	-	-	-	(1)	(1)
Balance at 30 June 2014	48,096	-	(1,286)	-	12,137	58,947
Balance at 1 July 2014	48,096	-	(1,286)	-	12,137	58,947
Profit for the period	-	-	-	-	1,512	1,512
Exchange differences arising on translation of foreign operations, net of tax	-	-	886	-	-	886
Total comprehensive income for the period	-	-	886	-	1,512	2,398
Transactions with owners of the Company, recognised directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Share buyback (note 11)	(4,715)	-	-	-	-	(4,715)
Costs associated to share buyback	(286)	-	-	-	-	(286)
Recognition of share-based payments	-	-	-	-	80	80
Balance at 31 December 2014	43,095	-	(400)	-	13,729	56,424

The attached notes form an integral part of these consolidated financial statements

**Consolidated Statement of Cash Flows
for the six months ended 31 December 2014**

	31 December 2014	30 June 2014
Notes	\$000	\$000
Cash Flows from Operating Activities		
Receipts from customers	11,556	14,797
Payments to suppliers and employees	(8,233)	(11,579)
Interest received	380	457
Interest and finance charges	(321)	(287)
Income tax paid	(253)	(852)
Net cash provided by operating activities	3,129	2,536
Cash Flows from Investing Activities		
Disposal of discontinued operations net of cash disposed	-	26,366
Income tax paid on discontinued operations	-	(3,206)
Payments for plant and equipment	(350)	(355)
Payments for intangible assets – Contract rights	(141)	(220)
Net cash from investing activities	(491)	22,585
Cash Flows from Financing Activities		
Proceeds from other interest bearing liabilities	-	2,500
Repayments of other interest bearing liabilities	-	(2,296)
Dividends paid	-	(5,680)
Share buyback	(5,001)	(229)
Proceeds from exercise of share options	-	234
Net cash used in financing activities	(5,001)	(5,471)
Net (decrease) / increase in cash and cash equivalents	(2,363)	19,650
Effect of exchange rate fluctuations on cash held	541	(132)
Cash and cash equivalents from continuing operations at beginning of the financial period	39,070	7,569
Cash and cash equivalents from discontinued operations at beginning of the financial period	-	11,983
Total cash and cash equivalents at the end of the financial period	37,248	39,070
Restricted cash and cash equivalents at the end of the financial period	14 (256)	(572)
Net available cash and cash equivalents at the end of the financial period	36,992	38,498

The attached notes form an integral part of these consolidated financial statements

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Reporting entity

ThinkSmart Limited (the “Company”) is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the “consolidated entity” or “the Group”). The Group is a for profit entity and its principal activity during the six months was the provision of lease and rental financing services in the UK. The annual financial report of the consolidated entity as at and for the period ended 30 June 2014 is available upon request from the Company’s registered office at Suite 5, 531 Hay Street, Subiaco, West Perth, WA 6008 or at www.thinksmartworld.com.

2. Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors’ report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

AASB 134.20 requires a comparable interim period of the immediately preceding annual reporting period, which for this interim financial report is the six months to 30 June 2014 for the profit and loss, cash flow statement and statement in changes in equity.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the period ended 30 June 2014.

This interim financial report was approved by the Board of Directors on 23 February 2015.

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this interim financial report are consistent with those applied by the consolidated entity in its consolidated financial report as at and for the period ended 30 June 2014 other than the following:

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense over the period that the employees unconditionally become entitled to the awards, with a corresponding increase in equity. Previously this increase in equity was held in a separate reserve named ‘Equity settled employee benefits reserve’. AASB 2 allows share based payment transactions to be presented within a separate reserve or within retained earnings. The Group has decided to present the share based payment transactions within retained earnings and therefore in accordance with AASB 108 have retrospectively applied this change with amounts previously recorded in ‘Equity settled employee benefits reserve’ totalling \$1,141,000 at January 2014 transferred to ‘Accumulated Profit’.

4. Accounting estimates and judgements

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the period ended 30 June 2014.

5. Financial risk management

The consolidated entity’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the period ended 30 June 2014.

6. Income tax expense

The consolidated entity’s consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2014 was 28.2% (30 June 2014: 31.6%). The difference in effective tax rate from the prima facie rates applicable is mainly due to the effect of the differential tax rates across the jurisdictions in which the Group operates together with the relative contribution to the Group’s profit before tax from those jurisdictions.

THINKSMART LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS

	6 months to 31 December 2014 \$000	6 months to 30 June 2014 \$000
7. Consolidated Statement of Profit and Loss		
Profit/(loss) is arrived at after crediting/(charging) the following items:		
a) Revenue		
Interest revenue – other entities	500	560
Surplus unguaranteed residual income	2,101	2,025
Extended rental income	3,770	2,707
Other inertia income	2,270	2,519
Fee revenue – customers	156	195
Commission income	2,266	2,155
	<u>11,063</u>	<u>10,161</u>
b) Other revenue		
Services revenue – insurance	1,175	1,220
Other revenue	76	80
	<u>1,251</u>	<u>1,300</u>
c) Other operating expenses		
Employee benefits expense		
- Payments to employees	2,898	3,177
- Employee superannuation costs	198	185
- Share-based payment expense	80	(1)
- Provision for employee entitlements	-	(117)
	<u>3,176</u>	<u>3,244</u>
Occupancy costs	253	233
Professional services	933	656
Finance charges	89	119
Other costs	563	708
	<u>5,014</u>	<u>4,960</u>
d) Depreciation and amortisation		
Depreciation	81	93
Amortisation	197	182
	<u>278</u>	<u>275</u>
e) Impairment losses		
Impairment losses on intangible assets (net)	<u>205</u>	<u>155</u>

THINKSMART LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS

	31 December 2014 \$000	30 June 2014 \$000
8. Other Current Assets		
Prepayments	2,748	2,795
Inventories	1,519	1,185
Sundry debtors	696	1,108
	<u>4,963</u>	<u>5,088</u>

9. Intangible assets	Contract rights \$000	Software \$000	Distribution network \$000	Intellectual Property \$000	Inertia Contracts \$000	Total \$000
Net Book Value						
At 30 June 2014	566	131	1	193	11,109	12,000
At 31 December 2014	557	303	-	177	10,851	11,888

	31 December 2014 \$000	30 June 2014 \$000
10. Other Non-Current Assets		
Insurance prepayments	1,813	1,672
Deposits held by funders (i)	3,064	3,786
Other	187	-
	<u>5,064</u>	<u>5,458</u>

(i) Deposits held by funders are for the servicing and management of their portfolios in the event of default. The deposits earn interest at market rates of return for similar instruments.

	31 December 2014 \$000	30 June 2014 \$000
11. Issued Capital		
<i>Fully Paid Ordinary Shares</i>		
Balance at beginning of financial period	48,096	48,091
Proceeds from exercise of employee loan-funded share plan	-	234
Cancellation of shares through buyback	(4,715)	(229)
Costs associated to buy-back	(286)	-
Balance at end of the financial period	<u>43,095</u>	<u>48,096</u>

During the period 13,007,973 shares were purchased and cancelled as part of the on market buy-back scheme at a cost of \$4,715,267.

On 18 September 2014 the Company issued 500,000 ordinary shares to the Executive Chairman as approved at the Company's AGM held on 22 May 2014. These loan funded shares will be held for 3 years from 18 September 2014 and are subject to the performance conditions of the ThinkSmart Employee Long Term Incentive Plan.

THINKSMART LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS

12. Operating segments

Information about reportable segments

For the period ended:	UK		Other including Corporate		Total	Discontinued operations		
	December 2014	June 2014	December 2014	June 2014		December 2014	June 2014	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Revenue	10,683	9,709	380	452	11,063	10,161	-	1,536
Other revenue	1,251	1,300	-	-	1,251	1,300	-	15,721
Total revenue	11,934	11,009	380	452	12,314	11,461	-	17,257
Indirect customer acquisition costs	(4,712)	(3,804)	-	(1)	(4,712)	(3,805)	-	(89)
Operating expenses	(3,378)	(3,149)	(1,636)	(1,811)	(5,014)	(4,960)	-	(1,105)
Depreciation and amortisation	(239)	(241)	(39)	(34)	(278)	(275)	-	(197)
Impairment losses (Note 7(e))	(205)	(155)	-	-	(205)	(155)	-	(62)
Interest expense	-	-	-	-	-	-	-	(195)
Cost associated with sale of discontinued operations	-	-	-	-	-	-	-	(2,332)
Reportable segment profit/(loss) before income tax	3,400	3,660	(1,295)	(1,394)	2,105	2,266	-	13,277
Reportable segment current assets	18,697	12,777	24,690	32,473	43,387	45,250	-	-
Reportable segment non-current assets	21,340	21,736	494	516	21,834	22,252	-	-
Reportable segment liabilities	8,201	8,109	596	446	8,797	8,555	-	-
Capital expenditure	499	350	1	136	500	486	-	-

THINKSMART LIMITED
DIRECTORS' DECLARATION

13. Commitments and contingent liabilities

UK

Under the terms of a current UK funding agreement with Secure Trust Bank (STB), the Group is obliged to purchase delinquent leases from the funder at the funded amount plus any commission previously received. At 31 December 2014, the total funded amount of all leases funded by the funder is \$47.505m (30 June 2014: \$43.606m). The Group has entered into a Credit Default Swap (CDS) with STB for which it has provided a deposit of \$8.131m (30 June 2014: \$7.401m) as collateral for the obligation under the funding agreement and CDS. The Group has provided \$5.067m (30 June 2014: \$3.617m) which includes some estimation uncertainty as it requires an estimate of the future amount potentially payable for those leases that are likely to become delinquent in the future. The Group estimates this amount based on historical loss experience for assets with similar characteristics.

14. Restricted Cash

Included in cash and cash equivalents is \$0.256m (30 June 2014: \$0.572m) which is held as part of the Group's funding arrangements in Australia and the UK and is restricted.

15. Events occurring after balance sheet date

Buy-Back Tender

ThinkSmart has successfully completed the off-market buy-back of ordinary fully paid shares that was announced on 18 November 2014 and approved by shareholders at an Extraordinary General Meeting on 22 December 2014.

Under the Buy-Back Tender, the Company has bought back 49,998,962 Shares, being 34.2% of ThinkSmart's issued share capital at a price of \$0.42 per Share for a total of \$20,999,564.

**THINKSMART LIMITED
DIRECTORS' DECLARATION**

In the opinion of the Directors of ThinkSmart Limited (the "Company"):

- a) the financial statements and notes that are in pages 5 - 14 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the six months period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



N Montarello
Chairman
Perth, 24 February 2015



Independent auditor's review report to the members of ThinkSmart Limited

We have reviewed the accompanying interim financial report of ThinkSmart Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ThinkSmart Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of ThinkSmart Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Matthew Beevers', with a long horizontal stroke extending to the right.

Matthew Beevers
Partner

Perth

24 February 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of ThinkSmart Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Matthew Beevers
Partner

Perth

24 February 2015